



FORM 109
(RULE 22-2(2) AND (7))

B-24 0589

This is the 1st affidavit
of David Romano in this proceeding
and was made on December 20th, 2024

District of British Columbia
Division No.: 03-Vancouver
Court No.: _____
Estate No.: _____
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF IPLAYCO CORPORATION LTD., IPLAYCO
CANADA INC., AND INTERNATIONAL PLAY COMPANY INC.**

AFFIDAVIT

I, DAVID ROMANO, care of 2900 – 733 Seymour Street, Vancouver, in the Province of British Columbia SWEAR THAT:

1. I am the chief operation officer of Iplayco Corporation Ltd., Iplayco Canada Inc. and International Play Company Inc. (collectively, "Iplayco"), and as such have personal knowledge of the facts and matters hereinafter deposed to, save and except where the same are stated to be based upon information and belief, and where so stated I verily believe the same to be true.
2. Funds in this Affidavit are in Canadian dollars, unless otherwise specified.

CORPORATE STRUCTURE AND EMPLOYEES

3. Iplayco's head office is in Langley, British Columbia, where it also carries on operations.
4. A diagram showing the corporate structure of Iplayco and related entities is attached to this Affidavit as Exhibit "A".

5. Iplayco Corporation Ltd., Iplayco Canada Inc. and International Play Company Inc. are companies registered and in good standing under the laws of the Province of British Columbia.
6. Iplayco Corporation Ltd. owns six subsidiary corporations. The two Canadian subsidiaries are Iplayco Canada Inc. and International Play Company Inc. The remaining subsidiaries are corporations in the USA, Bulgaria, Italy and the Philippines.
7. The directors of Iplayco are Lafayette Lim, Sharlene Faye Lim and Ivy Michelle Lim, who are resident in the Philippines. They are the owners of TSL888 Investments, Inc., which is the shareholder of Iplayco Corporation Ltd.
8. The roles and locations of the corporations are as follows:
 - a) Iplayco Corporation Ltd., Langley BC: holding company;
 - b) Iplayco Canada Inc., Langley BC: sales and marketing
 - c) International Play Company Ltd., Langley BC: equipment design, production, manufacturing, and shipping;
 - d) IREC Corporation, Subic Bay, Philippines: manufacturing and logistics coordination, providing materials and parts for Iplayco and Asian sales;
 - e) Play Mart International Eood, Bulgaria: European sales and marketing;
 - f) Play Planet SRL, Milan, Italy: European Family Entertainment Centre, licensing operator;
 - g) Iplayco Inc., USA: non-operational, but was held for US business.
9. The historic and current status of the employees of the foregoing are as follows:
 - a) Iplayco Canada Inc.: Pre-Covid, 7 employees, currently two full time one part time;

- b) International Play Company Ltd.: Pre-Covid, 50 employees, currently 23;
- c) IREC Corporation: Pre-Covid, 130 employees, Currently 12;
- d) Play Mart International Eood: Pre-Covid, 23 employees, Currently 1;
- e) Play Planet SRL: Pre-Covid, 1 employee, currently 3 (2 moved from Play Mart International);
- f) Iplayco Inc., USA: none.

OPERATIONS AND HISTORY OF COMPANY

10. Iplayco was formed in 1999. Its business is indoor playgrounds and amusement facilities. It was created to provide an alternative to current products available in the global Amusement and Family Entertainment Industry. The company initially consisted of 6 people performing design, sales and production and was in a 2000 sq ft warehouse in Langley BC.
11. Six months later Iplayco outgrew its first warehouse and moved to a 10,000 sq ft facility in Langley.
12. In July of 2003, Iplayco had an initial public offering and began trading on the TSX Venture Exchange. It was originally listed as Diversaflow Corporation on the TSX-V (DVF-TSX-V), but the trading name was changed to Iplayco Ltd. (IPC-TSX-V).
13. Sales continued to grow year on year and in 2003 to increase funding Iplayco did a private placement of just over \$650,000 to help fund increases in production capabilities and operations costs. In 2014 Iplayco did a large private placement raising 7.5 million. The private placement was done primarily with one of Iplayco's largest customers.
14. In 2019, Iplayco was contacted by interested buyers and the concept of a share purchase was put before the Company BOD who voted to allow the shareholders to vote on the sale. Approval for the sale was received from the shareholders

and a deal was struck for the purchase of Iplayco. In December of 2019, all shares in Iplayco Corporation Ltd. were purchased and the company was taken private by TSL888 Investments, Inc.

15. Attached as Exhibit "B" to this Affidavit is company profile of Iplayco which helps explain its business.

ASSETS

16. Iplayco's assets consist of manufacturing equipment, tools and tooling, storage facilities, office equipment and furniture, and finished goods and raw materials inventory.
17. The value of Iplayco's tangible assets, including raw materials, tools and equipment are approximately \$550,000.

LIABILITIES

18. In May, 2020, Iplayco entered into a lending facility with HSBC Bank Canada ("HSBC"). Iplayco Corporation Ltd., Iplayco Canada Inc. and International Play Company Inc. were the borrowers. The guarantors were Play Planet SRL, IREC Corp., and Play Mart International Eood.
19. The facilities consisted of an operating loan facility in the maximum amount of \$600,000, and two letter of guarantee facilities, one in the maximum amount of EUR€3,000,000 and one in the maximum amount of US\$2,550,000.
20. Due to the financial pressures which Iplayco began to experience, Iplayco and HSBC entered into a series of forbearance agreements commencing in November, 2021. The last forbearance agreement was dated for reference April 10, 2024.
21. I understand that, following an amalgamation, Royal Bank of Canada ("RBC") became Iplayco's secured creditor in place of HSBC.

22. On November 28, 2024, RBC issued a demand to Iplayco and a notice of intention to enforce security. The amount demanded is CDN\$571,788.39 and US\$5,553,142.89, as at November 22, 2024.
23. Iplayco has unsecured debt owing to trade creditors and other creditors. As of October 31, 2024, the amounts owing were:
 - a) International Play Company:
 - i) CDN\$245,208.94;
 - ii) UK£195,161.66;
 - iii) US\$116,705.57;
 - b) Iplayco:
 - i) US\$134,730.69.
24. Iplayco does not have any pre-filing obligations owing to CRA other than tax liabilities which arise in the ordinary course of business, and it will have similar obligations post-filing. There are no statutory liens or encumbrances.

NATURE OF FINANCIAL DIFFICULTIES

25. Iplayco's revenue had been trending steadily upward since its inception in 1999, and by 2019 it was poised for a major increase in both revenue and net profit after having made a major impact on the European market with a loss-leading entry through Playmart International, and acquired rights to the Tag Interactive product line, which is seen as the most innovative product in the soft play industry.
26. Iplayco began 2020 by enacting a well-developed plan to downsize its facilities in Canada and Europe and to transition additional manufacturing and distribution to the Philippines, taking advantage of major labour and general overhead savings and IREC Corporation's closer proximity to many major component and raw

materials suppliers in Asia. This was based on a strategy of "short term pain for long term gain," which accepted the costs associated with breaking leases, paying out severance, and redistributing most stock to the necessary facilities to consolidate operations. Thus, and unfortunately, when the world reacted with their first round of lockdowns in March 2020, Iplayco had at least thirteen 40ft containers of inventory on the ocean being transferred to the Philippines. With the unforeseeable labour challenges, new regulatory requirements, and logistical hurdles that resulted, this transition plan had associated costs in the millions of dollars.

27. Forecasts for 2020 had shown that Iplayco sales were on track to surpass \$20,000,000. The company had also been increasing production in Europe and Philippines to manage the substantial increase in business including a multi-location Billy Beez entertainment center. This expansion included a large manufacturing facility in both the Philippines and in Bulgaria to both help with production and reduce certain manufacturing costs, as well as delivery times. With all locations Iplayco Group had approximately 140,000 sq feet in leased space to manage the increased number of projects expected at that time.
28. However, despite years of increasing revenue (reaching a peak in 2019 at \$17,100,000), new sales dried up for the first three quarters of 2020 as a result of Covid anxieties from our client base, and much of Iplayco's cash reserves were consumed simply with completing the manufacturing of existing orders (several of which were never delivered because clients were unable to pay) while addressing new and unpredictable Covid-compliance requirements. While the company still recorded sales of \$12,100,000 for the fiscal year ended Sept 30, 2020, it also recorded a net loss of \$9,800,000 (though this includes non-cash write-offs of tax assets and goodwill/intangibles assets of \$2,200,000, which is standard practice under accounting rules when there are operating losses).

29. While some reduced support was available in Canada, no such support was available in Philippines/Asia, and Bulgaria/Europe for companies such as Iplayco or its affiliated group.
30. The limitations placed on family entertainment facilities globally created a significant drop in requests for information on our products and services as many in the industry faced severe restrictions on the number of clients they could allow into their facilities (if allowed to even open) and in many cases globally they were still under opening restrictions until early 2022.
31. A substantial number of amusement developments and planned projects Iplayco had been in development and negotiations for, were either put on hold or cancelled outright until such time as the pandemic was over or beyond. Most major industry tradeshow were cancelled during the enforced global shutdown and interaction with new potential buyers was made almost impossible because of this. With the introduction of various vaccines in early 2021 we believed that we could begin to return to normal operations, but again a return to business was not actually realized until midway through 2021. Even so some countries still maintained restrictions and overall, there was a prevailing sense of uncertainty as to when things would return to a new normal.
32. In early to mid 2022 as restrictions globally were reduced and indications were that the pandemic had reached its end. Iplayco began to see interest in our products and services increasing globally.
33. Many of the clients that had come to us pre-Covid with projects that were put on hold began to pick up discussions again and we saw an increase in requests for information on our products and services including a substantial increase in designs requests and project planning. Based on this increase in activity we believed the market was beginning to pick up and again and we would begin to see sales increase significantly.

34. Unfortunately, during this time, we began to experience dramatic increases in materials and shipping costs (again related to Covid shutdowns causing material shortages) and interest rates began to increase. Once again, some projects were put on hold due to increased costs, interest rates, and financing difficulties. Project turn around timelines had gone from the normal 4 – 6 months to in some cases 12 – 14 months due to these issues.
35. Ownership has continued to provide written and monetary support over the past several years in addition to working with management to implement the following cost cutting measures and operational changes:

COST AND OVERHEAD REDUCTIONS

36. The combined operations of Iplayco in North America have reduced the size of facilities in 2020 to 25% of the original size, which decreased lease payments by 60% of pre-Covid levels. Iplayco reduced staff by 50% overall between 2020 and 2024. We currently have enough staff to manage production based on current sales backlog. A hiring freeze is in place and any hiring done is only to replace current staff that leave.
37. In North America, Iplayco has reduced:
 - a) administrative and sales costs by having staff work remotely which results in less leased space;
 - b) tech and communication costs including user software licenses by 60%;
 - c) marketing costs through several measures including smaller expenditures on trade show booth spaces, fewer people staffing trade show booths, discontinued advertising in trade magazines and lower online media expenditures.
38. Recent changes have amounted to a decrease in costs of over \$500,000 this year, with additional savings of \$125,000 to follow in 2025.

39. In Europe Iplayco has:

- a) ended employment of all staff from Bulgarian operations except one to help finalize the office closure;
- b) located a smaller facility in Milan for remaining inventory with attached small office space;
- c) Reduced staff in Milan to just one designer, one warehouse manager and, one administrative person;
- d) ended salaried employment of two salespeople;
- e) reduced tech and communication costs by 90%;
- f) reduced marketing costs through several measures including reducing trade show spending and staffing at booths, discontinued advertising in trade magazines.

40. These changes in Europe will amount to operation cost savings of €460,000.00 for the coming year.

41. In Asia, Iplayco has:

- a) terminated seventeen employees to further reduce staff to just thirteen employees that will do all production and installation and will terminate the employment of a senior manager by end of January 2025;
- b) subleased one third of current space to reduce cost of rent for remainder of the lease agreement period (ends January 2025);
- c) made the decision to move to smaller facility space in the same general area as the current facility. Lease costs will be reduced from \$21,000 to \$4,000 per month a further reduction of 80% of what we are currently paying.

42. These changes will amount to operation cost savings of \$395,000 for the coming year.
43. Iplayco expects that the net savings in consolidated operation costs for 2025 is expected to be between US\$750-\$850,000.
44. We continue to monitor for further potential cost savings.
45. Where possible Iplayco has secured outside vendor support to provide it with finished parts and materials to supply our projects. The intent is to continue to move towards an outsourcing model for as many parts and materials as possible, that can be used to supply the Iplayco groups upcoming projects without Iplayco increasing costs and overhead.
46. Over the last year Iplayco has paid down the principal on our bank loans in addition to paying all interest payments relating to those loans. We had expected to continue making quarterly principal payments for the next 12 months, although we still needed to finalize the upcoming repayment for this year with the bank.
47. Iplayco has paid down our vendor payables by \$500,000 in the last 12 months and we believe we will continue that trend moving forward.
48. Iplayco has continued to look at each facilities operation on a quarterly basis to see if additional costs savings could be achieved either through additional staff reduction or facility changes as we worked to reduce debt and increase revenues and profitability, without jeopardizing the functioning of the company.

PLAN

49. The interest rate issue has subsided somewhat and after several false starts, we have experienced a significant increase in project requests. The sales pipeline has begun to return to pre-pandemic levels, which in turn from past industry experience translates to substantial increases in revenues. Weakness in our sales pipeline coming out of the pandemic was directly responsible for weak

fiscal years in 2023 and 2024 in which revenues suffered directly due to the previously mentioned reasons.

50. Sales for 2025 should come close to or possibly surpass those of 2023 and 2024 combined.
51. Because of this trend, we have sought the opportunity to work towards a proposal with our creditors to service our debts and allow Iplayco to continue as a going concern.
52. Our goals are to achieve a return to pre-pandemic revenue levels and increased profitability across operations as a direct result of proper fiscal management and increased scrutiny on profitability and continued cost reductions. Our ownership group has supported us throughout the pandemic and post pandemic era and will continue to provide support and oversight. Our employees, many of whom have been with us for more than 15 years, support the management's belief in Iplayco's ability to return to profitability. They continue to work hard to build quality products that have helped build Iplayco's reputation in the industry.
53. Unfortunately, due to the demand made by Iplayco's secured creditor, it has been required to file a notice of intention to file a proposal under the *Bankruptcy and Insolvency Act* (the "BIA").
54. It is management's goal, with the support of ownership, to find a solution to Iplayco's current debt. Through the process, Iplayco has secured a proposal trustee and legal council to oversee the process and help negotiate one of several options while maintaining operations and the value of the company for all stake holders.
55. The goal of management is to arrange a negotiated settlement with RBC. If that is unsuccessful, Iplayco would likely enter into a sales and investment solicitation process.

56. In addition, management understands that maintaining the operation of the company includes responsibility to our clients, employees, and all stake holders to maintain the value of the company. Management will also address unsecured and current vendors, as this is required for Iplayco to continue operating.


57. Iplayco understands that these aspects take time but also that it is important to work diligently with timelines to adhere to the process. Management continues to make reductions and reduce overhead by reducing costs of rent, staff, materials, and other material areas, without jeopardizing function of the company.

A RESTRUCTURED COMPANY IS VIABLE


58. I believe that with its cost reductions and increased sales, Iplayco has a sustainable and potentially profitable business. However, it does need more time to either restructure its secured debt or seek a sale of the business as a going concern.

59. During the time afforded the NOI process, Iplayco is working in good faith and with due diligence to maintain and improve operations and profitability, and to work towards a successful restructuring, either through debt negotiation, an arrangement or a sale.

SWORN BEFORE ME at the City of Vancouver, in the Province of British Columbia, this 20 day of December, 2024.



A Commissioner for taking Affidavits for British Columbia



DAVID ROMANO

MARCELLA BARBOSA
- Notary Public -
201 - 20171 92A AVENUE
LANGLEY, BC V1M 3A5
TEL. (604) 888-6605

This is the 1st Affidavit of
David Romano in this proceeding
and was made on December ____, 2024.

District of British Columbia
Division No.: 03-Vancouver
Court No.: _____
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INTENTION
TO MAKE A PROPOSAL OF IPLAYCO
CANADA INC., IPLAYCO CORPORATION
LTD. AND INTERNATIONAL PLAY COMPANY
INC.**

AFFIDAVIT

OWEN BIRD LAW CORPORATION
P.O. Box 1
Vancouver Centre II
2900 – 733 Seymour Street
Vancouver, BC V7B 0S6
Attention: Jonathan L. Williams
File No. 41651-0000
